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Monday, 17 March 2008, 18:27
C O N F I D E N T I A L LONDON 000797

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EO 12958 DECL: 03/17/2018
TAGS ECON, EFIN, UK

SUBJECT: BANKING CRISIS NOW ONE OF SOLVENCY NOT LIQUIDITY
SAYS BANK OF ENGLAND GOVERNOR

Classified By: AMB RTUTTLE, reasons 1.4 (b) and (d)
Summary

1. (C/NF) Since last summer, the nature of the crisis in financial markets has changed. The problem is now not liquidity in the system but rat
Systemic Insolvency Is Now The Problem

2. (C/NF) King said that liquidity is necessary but not sufficient in the current market crisis because the global banking system is undercapi
Unblocking Illiquid Mortgage-Backed Securities

3. (C/NF) King said it is also imperative to find a way for banks to sell off unwanted illiquid securities, including mortgage backed securiti
A Possible Approach To Recapitalization

4. (C/NF) The G-7 is almost dysfunctional on an economic level, said King. Key economies are not included, especially those that have large ar
Comment

5. (C) The King proposals were not casual ideas developed in the course of luncheon conversation. It was clear that his principal objective in
6. (U) Participants: USG: Ambassador Robert Tuttle; Deputy Secretary Kimmitt; Eric Meyer, Office Director for Europe;
SIPDIS Robert Saliterman, Spokesman, International Affairs, U.S. Treasury; Warren Chane, ECONOFF. UK: Mervyn King, Governor, Bank of England; C

7. (U) Deputy Secretary Kimmitt has cleared this message.
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